

Utah Independent Bank

P.O. Box 09 / 55 South State Salina, Utah 84654 Phone (435) 529-7459 Fax (435) 529-7884

m/41/012

Fax Transmittal SheetDate: 10-19-01Total pages including this page: 4To: State of Utah, Department of Natural Resources
Division of Oil, Gas and MiningATTN: JoelleFax #: 801-359-3940From: TurnerComments: Draft - Letter of CreditNumber 25177025 WesternCo. Company, Inc.**RECEIVED**

OCT 19 2001

DIVISION OF
OIL, GAS AND MINING

5. If the Surety receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, the Surety will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Surety's receipt of the sight draft and certificate and in such a manner as the Division may specify.
6. The Surety will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Surety, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Surety's charter or license to do business.
7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time (UCP). In the event of a conflict between Utah law and the UCP, Utah law shall govern.
8. All communications regarding this Letter of Credit will be addresses to the Surety 55 South State Street, P. O. Box 9, Salina, Utah 84654, referencing Letter of Credit No. [REDACTED]

Very truly yours,

Utah Independent Bank
Surety

By: Luana Crane

Title: Loan Officer

EXHIBIT A - SIGHT DRAFT
to
Letter of Credit Number 25177025

Date

City, County

Letter of Credit No.

PAY TO THE ORDER OF:

UTAH DIVISION OF OIL, GAS AND MINING

DOLLARS

TO: Utah Independent Bank
55 South State Street
P. O. Box 9
Salt Lake City, UT 84654

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, UT 84114-5801

By:

Authorized Signature

Utah Independent Bank

P.O. Box 09 / 55 South State Salina, Utah 84654 Phone (435) 529-7459 Fax (435) 529-7884

m/41/012

Fax Transmittal Sheet

Date: 10-19-01

Total pages including this page: 4

To: State of Utah, Department of Natural Resources
Division of Oil, Gas and Mining

ATTN: Jacobs

Fax #: 801-359-3940

From: Turna

Comments: Draft - Letter of Credit

Number 5 Western

Clay Company, Inc.

RECEIVED

OCT 19 2001

DIVISION OF
OIL, GAS AND MINING

Letter of Credit No. _____

Date: October 19, 2001

UTAH DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, UT 84114-5801

and

School and Institutional Trust Lands Administration
675 East 500 South, Suite 500
Salt Lake City, UT 84102

Gentlemen and Ladies:

1. Utah Independent Bank, (Surety), of Salina, Utah, hereby establishes this irrevocable letter of credit (Letter of Credit) in favor of the Utah Division of Oil, Gas and Mining (Division) for itself and as agent for the School and Institutional Trust Lands Administration (Beneficiaries) for an aggregate amount not to exceed \$67300.00, in United States dollars (Face Amount) effectively immediately.
2. This Letter of Credit will expire upon the first event set forth as follows: (a) 5:00 o'clock p.m. (Salt Lake City time), on October 20, 2002 or (b) the date upon which sufficient documents are executed by the Division to release Western Clay Company, Inc. (Operator) from further liability for reclamation of the Bentonite Pits, M/041/012 with notice to Bank or Surety by the Division accompanied by the original Letter of Credit with directions for cancellation.
3. This Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Surety gives notice to the Division 90 days prior to the expiration date that the Surety elects not to renew the Letter of Credit.
4. Funds under the Letter of Credit are available against the Division's sight draft, in the form on Exhibit A, specifying Letter of credit No. _____ delivered to the office of the Surety, 55 South State Street, Salina, Utah 84654. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.

5. If the Surety receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, the Surety will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Surety's receipt of the sight draft and certificate and in such a manner as the Division may specify.

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8. All communications regarding this Letter of Credit will be addresses to the Surety 55 South State Street, P. O. Box 9, Salina, Utah 84654, referencing Letter of Credit No.

Very truly yours,

Utah Independent Bank
Surety

By: Luana Crane

Title: Loan Officer

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to
Letter of Credit Number

Date

City, County

Letter of Credit No.

PAY TO THE ORDER OF:

UTAH DIVISION OF OIL, GAS AND MINING

DOLLARS

**TO: Utah Independent Bank
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P. O. Box 9
Salina, UT 84654**

**Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, UT 84114-5801**

By:

Authorized Signature